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Mr. Chairman and members of the Committee, I am pleased to appear before you today as the U.S. Agency for International Development's (USAID) Assistant Administrator for Africa to discuss the opportunities and challenges for sustainable development in sub-Saharan Africa and how the President's proposed budget for assistance to the region in FY 06 will enable us to address these opportunities and challenges. I would particularly like to highlight at the outset a few key priorities that USAID has considered in developing its FY 06 program for Africa.

In FY 06, USAID is proposing to shift \$275 million of Development Assistance (DA) funding for four fragile states to the more flexible Transition Initiatives (TI) account to permit focus on the source of fragility, and faster, shorter-term, high-impact, visible response. Four countries, Afghanistan, Sudan, Haiti, and Ethiopia were chosen because they are the largest fragile states in budgetary terms, which would most diminish flexible resources available for others if left in the Development Assistance (DA) account.

In addition, the Agency has made efforts to prioritize our use of resources that better assures results by emphasizing support for countries that demonstrate a commitment to sound development principles and democracy.

The Development Challenge

The future for sub-Saharan Africa continues to look brighter as many countries in the region begin to reap the benefits of sound changes to economic policy, improved governance and investments in key social sectors undertaken during the past decade. With the rebounding of the global economy, the continued growth of responsible and representative governments, and the recovery from several lengthy conflicts, much of the continent is poised to see more robust economic growth and an improvement in living standards in the years ahead. The IMF estimates that GDP in the region grew by 4.5% in 2004, up significantly from 3.5% in 2003 and projects that growth will accelerate further in 2005. While growth will be highest in oil producing countries, it is also expected to be strong in several important non-oil producing countries.

The resolution and recovery from several violent conflicts which inhibited economic and social development is particularly encouraging. The peace in Liberia is holding, a comprehensive Peace Agreement ending the conflict in southern Sudan was signed in January of this year, and Sierra Leone and Angola continue their transitions to peace and stability after years of protracted conflict. Unfortunately, the crisis remains unsettled in Darfur, instability persists in the Cote d'Ivoire, and conflict still plagues the Great Lakes region.

Encouragingly, African institutions are beginning to demonstrate increased capacity to deal with conflict and instability and to adopt more realistic policies to address poverty and economic growth. Interventions of the Economic Community of West African States (ECOWAS) in Liberia, its most recent efforts to avert a crisis in Togo, and the deployment of African Union forces in Darfur are cases in point. The policy framework and the program of action adopted by the New Partnership for Africa's Development (NEPAD) is sending a very positive signal to the world that African leadership is increasingly ready to take primary responsibility for economic and social development and improved governance in the region. NEPAD continues to deepen its support among African government leaders and its road map for action is gaining wider credibility. NEPAD is demonstrating through its initiation of peer reviews of political, economic and corporate governance in four countries that Africans are indeed serious about tackling some of their most difficult development issues. Twenty-four countries have now agreed to undergo the process. The United States continues to affirm its endorsement of NEPAD.

Measurable progress is now being made in increasing the availability of the specific treatment, care and prevention services required to address one of the continent's most overwhelming crises, the spread of HIV/AIDS. FY 2004 was the first year of implementation of the President's Emergency Plan for AIDS Relief, which proposes \$15 billion over a five-year period for the treatment, care and prevention of HIV worldwide. Of this, a total of \$10 billion is designated to scale up HIV/AIDS programs and services in 15 focus countries, 12 of which are in Africa. The extraordinary response by the international community combined with the wider availability of treatment, prevention, and care offers new hope that the advance of the pandemic can be contained with sustained support.

Despite these positive trends, sub-Saharan Africa continues to face enormous development challenges. It remains the world's poorest region, with half of its 700 million people living on less than \$1 per day. Income and gender inequality are also widespread. As mid-decade approaches, it is becoming increasingly evident that the region will fall seriously short of meeting many of the Development Goals of the Millennium Declaration (DGMD). In order to meet the goal of halving poverty by 2015, overall GDP growth must increase substantially from today's levels to between 6 and 7% per annum. While many countries have taken positive steps to improve democratic governance and governmental accountability, on-going instability in countries such as Zimbabwe, Sudan, and the Democratic Republic of the Congo act as a deterrent to increased domestic and international investment. Food security remains elusive in many parts of the continent, particularly in the Horn of Africa, with children being particularly vulnerable. It is projected that by 2015, two-thirds of the world's hungry will be in Africa, and it is the only continent where the trends are actually getting worse. Africa still lags far behind other developing regions in educational attainment, particularly in rural areas and for girls, and despite the rapid growth of information and telecommunications technology, the digital divide between Africa and the rest of the world continues to widen.

Rapid urbanization poses new and different challenges as cities struggle to provide sufficient jobs and services, particularly for the young, who can become quickly disillusioned and easy targets for extremist propaganda, criminal gangs or armed militias. While some health indicators have improved, the HIV/AIDS pandemic has overwhelmed health systems and further impoverished families in many countries, particularly in eastern and southern Africa. Dramatically reduced life expectancies and a shrinking labor pool due to HIV/AIDS will slow economic growth in the region by as much as 1.5% a year. Lingering conflicts, both large and localized, continue to exact a huge toll on efforts to bring stability and improve livelihoods. The presence of 4-5 million refugees and 12-13 million internally displaced persons in the region complicates the challenge.

Meeting these challenges will require an extraordinary and sustained effort on the part of African governments, the private sector, civil society and the international community. Through the FY 2006 foreign affairs budget, the President has pledged to continue and augment where possible United States programs to address some of the most critical problems facing the continent. USAID will focus its efforts on supporting economic growth and agriculture, improving governance, mitigating conflict, improving education (particularly basic education for girls), preserving the diversity of the continent's resources, and fighting disease. USAID's programs will be bolstered by the significant additional resources to be provided through the Millennium Challenge Account, which will be channeled to countries that govern justly, invest in their people and practice economic freedom. Eight sub-Saharan African countries, out of 16 total worldwide, have been deemed eligible for MCA assistance and an additional seven sub-Saharan African countries are close to the threshold of eligibility. We view these combined efforts as an extremely worthwhile investment in Africa's future. They equally serve our own interests as stability in the region is important to U.S. security concerns. Sub-Saharan Africa is also a source of natural resources of growing importance to the United States and represents an expanding market for American goods and services.

The USAID Response

The proposed FY 2006 USAID program for sub-Saharan Africa will support a broad range of activities which address the most pressing development challenges of the region. USAID programs in Africa will also contribute directly to the priorities outlined in the joint State/USAID Strategic Plan for 2004-2009, particularly those which advance sustainable development and global interests, including regional stability and counter-terrorism. Critical to the success of these efforts is full support for USAID's Operating Expense request. The Agency's ability to manage its portfolio and develop a workforce with the depth and skills to respond to the challenges of development in the 21st century is dependent on these resources.

Beginning in FY 2006, USAID will move deliberately to re-orient its programming in sub-Saharan Africa to reflect the principles of maximizing aid effectiveness. This shift will be formally codified through the adoption of a new USAID Strategic Framework for Africa to be completed in mid-2005. In order to maximize the impact of its resources, USAID will increasingly direct its development assistance funding towards those African countries that are performing relatively well, demonstrate need, and exhibit commitment to the principles of sound governance, investing in their people and economic freedom. Experience has shown that it is in these countries that foreign assistance has been

most effective.

At the same time, USAID recognizes the significant number of fragile states in sub-Saharan Africa and the destabilizing influence that these countries have on economic and social development of their sub-regions. USAID will target its resources in these countries specifically to address the root causes of fragility and potential conflict. In FY 2006, USAID also proposes to expand the use of the "Transition Initiatives" (TI) funding account to program its resources for four key countries; Afghanistan, Haiti, Ethiopia, and Sudan. The Transition Initiatives account will provide support to countries that are confronting crisis or are in transition from crisis towards more steady "transformational" economic and social development. The use of the Transition Initiatives account for the high profile programs in Ethiopia and Sudan will provide a mechanism that retains the responsiveness and flexibility of humanitarian aid, but with a focus on addressing the causes of crisis, advancing democratic governance, and managing conflict within highly charged and fluid environments. This required flexibility is not readily available within the traditional development assistance account which is used to fund long-term initiatives appropriate for transformational development. Using Transition Initiatives account funds in Sudan and Ethiopia will better enable the USAID Missions in these countries to direct their programs at the sources of instability and weakness and to redirect funds if necessary to maximize impact.

In FY 2006, USAID's Africa Bureau proposes to invest \$849.4 million in Development Assistance (DA), Child Survival and Health (CSH) and Transition Initiative (TI) funding in sub-Saharan Africa. Of this, 50.4% will be directed towards transformational development, strengthening fragile states and addressing global issues and special concerns, such as climate change, through the development assistance (DA) account; 11.2% for assistance in stability, reform and recovery to Ethiopia and Sudan through the Transition Initiatives (TI) account; and 38.4% for child survival and health, infectious disease reduction and family planning programs through the Child Survival and Health (CSH) account. It should be noted that this excludes all funding for HIV/AIDS in the 12 "focus" countries in sub-Saharan Africa covered by the President's Emergency Plan for AIDS Relief (PEPFAR), which is budgeted directly through the Office of the U.S. Global AIDS Coordinator in the Department of State.

Support to the Sudan peace process is the single highest priority in sub-Saharan Africa and USAID's Africa Bureau is requesting a total of \$89 million in Transition Initiatives and Child Survival and Health (CSH) account funding for Sudan in FY 2006. USAID's goal in Sudan is to establish a foundation for a just and durable peace with broad-based participation of the Sudanese people. Transition Initiatives funding will help to lay the groundwork for long-term recovery and to help the country move from crisis towards economic and political stability. Key programs will strengthen institutions of democratic governance and political parties, improve the justice sector, strengthen civil society, improve the access to quality education in the south, and create and strengthen market support infrastructure and institutions.

The support of Ethiopia's efforts to address issues of chronic food insecurity and poverty is also one of USAID's highest priorities in Africa. USAID is implementing a strategy to manage a transition from an emergency-dominated program to one which proactively builds capacity to prevent famine and also promotes economic growth, especially in the agricultural sector. The goal of the strategy is to promote increased capacity of the government, the private sector, non-governmental organizations, communities, and households to generate economic growth and to build a foundation for permanently reducing famine vulnerability, hunger, and poverty.

The centerpieces of USAID's FY 2006 program will continue to be the four Presidential Initiatives, launched in FY 2002, the Initiative to End Hunger in Africa (IEHA), the Trade for African Development and Enterprise (TRADE) Initiative, the Congo Basin Forest Partnership (CBFP), and the Africa Education Initiative (AEI). Other key elements of the program include the continuation of the African Anti-Corruption Initiative, the Conflict and Peacebuilding Initiative and the Leland Initiative to increase access to information technology.

Agriculture and the Environment

Agriculture remains the mainstay of most sub-Saharan African economies. It serves as the primary source of livelihood for 65% of its people, represents 30% to 40% of GDP and accounts for almost 60% of export income. Improved performance of the agricultural sector is, therefore, critical to efforts to achieve food security and reduce poverty. The major constraints to increasing agricultural productivity include low usage of improved technologies, limited access to credit, low levels of public investment, inefficient land use and environmental degradation, market distortions that discourage production, poor rural infrastructure and the debilitating effects of the HIV/AIDS pandemic. Now in its second full year of implementation, USAID's flagship program in the agriculture sector, the Presidential Initiative to End Hunger in Africa (IEHA), is helping agriculture generate more income and employment, unleashing the power of new technologies, promoting policy and program changes to liberalize trade and improve the efficiency of markets and developing human capital, infrastructure and institutions. IEHA is also assisting NEPAD

efforts to launch the G-8 supported Comprehensive African Agricultural Development Plan (CAADP). In FY 2006, USAID proposes to invest \$47.1 million through the Initiative to End Hunger in Africa.

Africa is a continent of great natural riches, unmatched bio-diversity and vast unspoiled landscapes. Prudent management and protection of these assets can contribute to sustainable economic growth as well as to worldwide efforts to improve the global environment and maintain bio-diversity. Yet the region's environment is under serious threat. Sub-Saharan Africa contains 45% of global bio-diversity yet has the highest rate of deforestation in the world. Serious efforts must be taken immediately to preserve, protect and improve Africa's environmental patrimony. USAID's environmental programs, which focus on linking better management of natural resources with improved livelihoods and strengthened environmental governance, are now demonstrating very positive results in over a dozen countries. The Central Africa Regional Program for the Environment (CARPE), a 20 year effort begun in 1995, is USAID's premier environmental program in Africa and serves as the Agency's primary vehicle for the U.S. contribution to the Congo Basin Forest Partnership (CBFP) Presidential Initiative, launched in 2002. The Congo Basin Forest Partnership, an association of 29 governmental, non-governmental and private sector organizations, addresses two of the world's most significant global issues, global climate change and the loss of bio-diversity in the world's second largest tropical forest. In FY 2006, USAID proposes to invest \$15 million through CARPE in support of the CBFP activities.

Trade

The globalization of the world economy offers Africa genuine opportunities to increase trade and attract foreign investment. Yet Africa remains at the margins of the world economy, accounting for just 1.4% of world exports in 2002, down from 3.5% in 1970. The region has enormous potential to become a much more significant player in international trade. However, to realize this potential Africa must continue to liberalize economic policies and implement institutional reforms required of the changing economic environment. The United States has continued to demonstrate worldwide leadership in expanding trade with Africa through the African Growth and Opportunity (AGOA) Acceleration Act of 2004. AGOA is yielding ever more encouraging results with total two-way U.S. trade with sub-Saharan Africa rising 37% in calendar year 2004, to \$44.4 billion. AGOA imports totaled \$26.6 billion in 2004, an 88% increase over 2003. While petroleum continues to constitute the bulk of AGOA imports, it is worth noting that non-petroleum AGOA imports — including apparel and agricultural products — are also on the rise, totaling \$3.5 billion in 2004, up 22% over 2003. To support the AGOA process as well as to promote business linkages between the U.S. and Africa and to enhance the competitiveness of African products and services, USAID will continue to work with the United States Trade Representative and other U.S. government agencies to design and implement trade capacity building activities, in recognition of the importance of such assistance in promoting economic growth, reducing poverty, and adjusting to liberalized trade. USAID plays a critical role in providing trade capacity building assistance in Africa, which has mainly been implemented through the Presidential Trade for African Development and Enterprise (TRADE) Initiative. Through this initiative three regional "Hubs for Global Competitiveness" in southern, eastern and west Africa, are improving public services that support trade (such as customs procedures), building African capacity for trade policy formulation, and strengthening the enabling environment for African businesses. USAID will continue its trade capacity building activities in support of the U.S. - Southern African Customs Union (SACU) free trade agreement negotiations. In addition, the Agency is working to support the WTO negotiations by focusing on the development obstacles facing the cotton industry in West Africa. In FY 2006, USAID proposes to provide \$15 million of its development resources in the TRADE Initiative. Overall, USAID proposes to invest \$311 million, or 36.7% of its development resources, for programs in economic growth, agriculture and the environment in FY 2006.

Education

Advances in education are critical to Africa's economic, social and political development. Although literacy rates have risen from 50% in 1990 to 62.4% in 2003, Africa continues to lag behind much of the world in educational attainment. While access to formal education has improved, 39% of boys and 43% of girls are still not enrolled in primary school. Drop out rates remain high, with just 20% of all children completing primary school. Educational quality is also poor with large class sizes, significant numbers of poorly qualified teachers, and severe shortages of textbooks and teaching aids. HIV/AIDS continues to decimate the ranks of qualified teachers. Systemic education reform is critical if Africa's children are to compete successfully in today's world. USAID programs focus on educational policy and systems development, decentralized decision making, and greater parental and community involvement. An emphasis on basic education, particularly for girls, has proven to yield high returns. USAID's flagship program in education is the \$200 million President's Africa Education Initiative (AEI), launched in 2002. USAID proposes to invest \$121 million, or about 14.3% of its program resources, in education programs in Africa in FY 2006, of which \$55million will support the Education Initiative. The Education Initiative is on track to provide 250,000 scholarships for girls, 4.5 million much-needed textbooks and training for 420,000 teachers over a five-year period.

Health, Population, and HIV/AIDS

Improved health is both an important development goal in and of itself, as well as a major factor in reducing poverty and accelerating economic growth. Health conditions in sub-Saharan Africa remain the poorest in the world, with gains in access to care and wider availability of treatment often undermined by persistent poverty, conflict, poor governance and the continued spread of HIV/AIDS and other infectious diseases such as tuberculosis (TB), malaria, polio, meningitis, and cholera. Life expectancy has continued to decline, to less than 50 in those countries most severely impacted by HIV/AIDS. Malaria claims over 2.3 million African lives a year, mostly of young children. In 2003, polio, which had almost been eliminated world-wide, spread from two endemic countries, Nigeria and Niger, to 10 other countries. Sub-Saharan Africa also has the highest maternal and neo-natal mortality rates in the world.

USAID Missions throughout the region are implementing broad-based programs to increase the availability, effectiveness and access to quality health care. Successful efforts to create alternative community-based health care financing schemes in Senegal, Rwanda, and Zambia offer promise to hundreds of thousands of households and provide successful models for replication. Immunization campaigns have reduced disease rates, and expanded use of bed nets has begun to significantly reduce the incidence of malaria in target areas. Several countries, including Eritrea, Malawi, and Guinea, have realized important reductions of 19% to 32% in child mortality rates. USAID proposes to invest \$142.7 million, or 16.8% of its program resources, for child, maternal, or reproductive health and the reduction of disease.

With a growth rate of 2.4% a year, the highest in the world, Africa's population of 700 million will swell to over one billion by 2025, despite the impact of HIV/AIDS. This will place natural resources, public services and the social fabric under enormous strain and impact economic growth. Though the majority of women indicate the desire for fewer children, contraceptive prevalence rates remain under 20% in all but five countries and above 50% only in Zimbabwe and South Africa. Dramatic increases in contraceptive prevalence rates in Botswana and Malawi over the past 15 years, however, offer proof that reproductive health programs, such as those supported by USAID, can indeed promote behavioral change. In FY 2006, USAID proposes to program \$101 million to continue its efforts to support a range of family planning programs, including public education, advocacy, and outreach through traditional and community structures, community-based distribution of contraceptives, and encouragement of child spacing programs.

Fighting HIV/AIDS is the number one health priority in sub-Saharan Africa. The pandemic continues to ravage the continent, although there are hopeful signs that prevention and treatment measures are beginning to slow its spread. Prevalence rates remain high in all of southern Africa, reaching 25% in Zimbabwe and almost 40% in Swaziland and Botswana. Of the estimated 34-46 million people infected by HIV worldwide, 25-28 million reside in sub-Saharan Africa. Over 80% are in their productive years and two thirds are female. The number of AIDS orphans is expected to rise from 11 million to 20 million by 2010. However, the experience of Uganda, where infection rates have decreased by 50% from 1997-2001, and promising results in Zambia and elsewhere, demonstrate that strong leadership and an integrated approach to prevention, care, and treatment can be effective in stabilizing and/or reducing prevalence rates. The President's Emergency Plan is offering a new future to people who are infected with the virus through rapid expansion of prevention, care, and treatment programs of all participating U.S. Government agencies. In coordination with the U.S. Global AIDS Coordinator, USAID proposes to invest \$82.2 million of its FY 2006 Child Survival and Health funding in the fight against AIDS in the "non-focus" countries in Africa and will coordinate closely with the other U.S. Government Agencies administering other components of the Emergency Plan.

Democracy, Governance and Conflict Mitigation

Transparency in government, observance of the rule of law, respect for human rights, and inclusive political processes are essential ingredients for the continued economic and social development of sub-Saharan Africa. Good governance, coupled with improved economic and social well-being, also diminishes the appeal of extremist ideologies and terrorist agendas. USAID democracy and governance programs throughout the continent promote representative political processes and institutions, the growth of a vibrant civil society, building the capacity of local governments to deliver essential services, and respect for the rule of law and human rights. USAID is also addressing the insidious issue of corruption in the region through its Africa Bureau Anti-Corruption Initiative, launched in 2003. In FY 2006, USAID proposes to invest \$7.5 million in this initiative, which promotes public access to information, citizen awareness and advocacy, transparency and accountability of government functions and procedures, support for public oversight institutions, and public-private dialogue.

The United States has played a seminal role in successful international efforts to bring an end to several of the violent conflicts that have plagued sub-Saharan Africa. In January 2005, the Government of Sudan and the Sudan

People's Liberation Movement signed a comprehensive peace agreement after more than two years of negotiations. The agreement ends the world's longest-running civil war, and provides for fundamental changes in governance through power-sharing, wealth sharing, security arrangements, and a formal cease fire. Across the border, there have been signs of progress in addressing the 18-year old conflict in northern Uganda. In addition, the Intergovernmental Authority on Development (IGAD) has achieved several major breakthroughs in efforts to restore peace to Somalia. Liberia remains on the road to recovery after two decades of instability and civil war. In mid-2004, the Congolese Assembly for Democracy was persuaded to remain engaged with the Transition Government. In Burundi, the Parliament agreed to extend the transition until April 2005 when elections are scheduled. Through the Conflict and Peace Building Fund, the USAID Africa Bureau is implementing conflict response programs that aim to avert imminent violence, mitigate on-going violence, or address its immediate aftermath. The Fund also supports conflict management programs that address the causes and consequences of conflict such as youth unemployment, ethnically-based economic competition, and inequitable control over natural resources. USAID proposes to augment its investment in the Africa Conflict and Peace Building Fund by \$20 million in FY 2006. Overall, in FY 2006, USAID proposes to invest \$91.2 million, or 10.7% of its resources, in efforts to strengthen democracy and governance and mitigate conflict in Africa.

Aid Effectiveness and Partnership

While the United States is the largest bilateral donor in sub-Saharan Africa, we must actively collaborate with our development partners in the donor community and with our African counterparts in order to achieve our common goal of a better life for all Africans. The United States supports on-going efforts to harmonize our assistance flows with those of other bilateral and multilateral donors around sound African country-led development strategies. Experience has demonstrated time and again that without buy-in to donor programs from country and African regional partners, assistance funds will have little lasting impact.

In conclusion, USAID is proposing a well-balanced program to address the major development challenges of the sub-Saharan Africa. The additional flexibility to be provided through the expanded Transition Initiatives account will assist us in implementing our important programs in Sudan and Ethiopia.

Mr. Chairman, I appreciate this Committee's continuing interest in Africa. I would be pleased to discuss our budget request and our proposed program and other issues of concern in Africa with you and members of the committee at this time.